

## **Garden State C-PACE Supplemental Guidelines**

### **ARTICLE I Overview**

These Guidelines (the “Supplemental Guidelines”) supplement the Garden State C-PACE Program Guidelines (the “Program Guidelines”) and apply to New Construction Projects, Gut Rehabilitation Projects, Refinancing Projects, and Retroactive Financing Projects. Unless otherwise defined herein, capitalized terms shall have their meanings as set forth in the Program Guidelines.

Except as otherwise specified in these Supplemental Guidelines, all provisions of the Program Guidelines apply to New Construction Projects, Refinancing Projects, and Retroactive Financing Projects.

### **ARTICLE II NEW CONSTRUCTION PROJECTS**

#### **Section 2.01 Scope**

#### **Section 2.02 Projects with Energy Efficiency Improvements**

The following modifications to the Program Guidelines apply to New Construction Projects that include any Energy Efficiency Improvement:

- A. “C-PACE Project” shall mean the acquisition and all construction, installation, or modification of the Eligible Property. “Direct Costs” shall mean any and all direct costs of the acquisition, construction, installation, or modification of the Eligible Property, including Ancillary Costs incurred as a result of the C-PACE Project Costs. “Indirect Costs” shall mean any and all indirect costs related to the Direct Costs.
- B. The required technical evaluation shall be the Whole Building Model Approach. Using such approach, the technical evaluation will determine the degree to which a proposed C-PACE Project exceeds the State Energy Subcode by calculating the delta between the model representing meeting the State Energy Subcode and the second model representing the as-designed proposed C-PACE Project.
- C. The maximum percentage in the underwriting requirements in Section 2.05(A) of the Program Guidelines, which is a percentage of the appraised value of the Eligible Property after including the anticipated value created by the C-PACE Project as of the date of stabilization of operations at the Eligible Property amount of the C-PACE Assessment, shall be determined as follows:
  1. The percentage amount of Direct Financing applicable to Project Costs excluding any Water Conservation Improvement or Resiliency Improvement shall be the sum of the base percentage as set forth in Section 2.03 below and the possible bonus set forth in Section 2.04 below and as shown on Table 1, not to exceed 35 percent, and
  2. If the C-PACE Project includes any Water Conservation Improvement or Resiliency Improvement, then:
    - a. The Whole Building Model approach must exclude any Water Conservation Improvement or Resiliency Improvement.

- b. The Project Costs for all Water Conservation Improvements and Resiliency Improvements must be accounted for separate from all other Project Costs.
  - c. The total Project Costs attributable to such improvement shall be added to the eligible Project Costs described in 1 of the section above.
  - d. The resulting sum from c. above shall not exceed 90 percent.
3. If the proposed C-PACE Project consists solely of one or a combination of Renewable Energy System Improvements, Energy Storage, or Electric Vehicle Charging Infrastructure but not Energy Efficiency Improvements and the degree to which the proposed C-PACE Project exceeds the State Energy Subcode cannot be determined, then the Project Costs shall be considered as a Retrofit Project for purposes of the Program Guidelines and these Supplemental Guidelines.

### **Section 2.03 Base Percentage for Projects with Energy Efficiency Improvements**

- A. The percentage set forth in this Section and Table 1 of these Supplemental Guidelines are valid only for the 2021 International Energy Conservation Code (IECC 2021) with amendments as the residential code and the American Society of Heating, Refrigerating, and Air-Conditioning Engineers Standard 90.01-2019 (ASHRAE 90.1-2019) without amendments as the commercial code (collectively, the “State Energy Subcodes”), and the prior State energy subcodes, which were the 2018 IECC as the residential code and ASHRAE 90.1-2016 as the commercial code (collectively, the “Prior State Energy Subcodes”).
- B. For projects proceeding with building permits subject to the State Energy Subcodes:
  1. A New Construction Project that demonstrates modelled energy performance that exceeds but is less than a 2.5% improvement over the applicable State Energy Subcode minimum shall have a base maximum percentage of 20 percent.
  2. A New Construction Project that demonstrates at least a 2.5% improvement but less than a 5% improvement over the applicable State Energy Subcode minimum shall have a base maximum percentage of 25 percent.
  3. A New Construction Project that demonstrates a greater than 5% improvement over the applicable State Energy Subcode minimum shall have a base maximum percentage of 30 percent.
- C. For projects proceeding with building permits subject to the Prior State Energy Subcodes:
  1. A New Construction Project that demonstrates energy performance that exceeds but is less than a 7.5% improvement over the applicable State Energy Subcode minimum shall have a base maximum percentage of 20 percent.
  2. A New Construction Project that demonstrates a greater than 7.5% improvement over the applicable State Energy Code shall have a base maximum percentage of 30 percent.

### **Section 2.04 Bonus Percentage for Projects with Energy Efficiency Improvements**

A New Construction Project that contains any of the technologies (“Bonus Technologies”) listed below shall add an additional bonus percentage of 2.5 percent for each Bonus Technology included, subject to the maximum percentage set forth in Section 2.03 above.

Bonus Technologies
Electric Vehicle Charging Infrastructure
Energy Storage systems behind the meter
High-efficiency heat pumps (air, ground, or water source & facility-wide)
Heat pump water heaters (facility-wide)
*Hydrogen systems
*Solar energy system, sized sufficiently for the project (photovoltaic and/or thermal)
*Geothermal energy systems
*Wind energy system
*Biomass system
*Other fuels and energy sources that the Authority, in consultation with NJ Board of Public Utilities (“NJBPU”), determines are renewable energy fuels or sources

\*Improvements by which electrical, mechanical, or thermal energy is produced from a method that uses the noted energy fuel source.

Table 1. New Construction Projects				
IECC/ASHRAE Code Year	Minimum Energy Performance Above Code	Maximum Base Underwriting Percentage	Additional Underwriting Percentage with Bonus Technologies	Maximum Underwriting Percentage
2021	Exceeds code but less than 2.5%	20%	+2.5% per bonus technology	35%
2021	2.5% but less than 5%	25%	+2.5% per bonus technology	35%
2021	Greater than 5%	30%	+2.5% per bonus technology	35%
2018 or Prior	Exceeds code but less than 7.5%	20%	+2.5% per bonus technology	35%
2018 or Prior	Greater than 7.5%	30%	+2.5% per bonus technology	35%

### ARTICLE III GUT REHABILITATION PROJECTS

- A. “Gut Rehabilitation Projects” or “Gut Rehab Project” shall mean a project that involve the removal and replacement of all interior (nonstructural) systems, equipment, components or features of a structure, whereby the existing structure will be reduced down to the basic structure or exterior shell (e.g., the foundation system; exterior walls, roofs; and interior structural components such as columns, beams, floors, and structural bearing walls). A Gut Rehab Project may also include structural or nonstructural modifications to the exterior of the structure.
- B. If a Gut Rehab Project consists solely of Eligible Improvements, then the Eligible Owner shall choose for the Gut Rehab Project to be reviewed and approved in the same way as

a New Construction Project or as a Retrofit Project and shall make that choice as part of the Project Application. If a Gut Rehab Project contains improvements that are not Eligible Improvements or costs that are not Project Costs, then the Gut Rehab Project shall be reviewed and approved in the same way as a New Construction Project.

#### **ARTICLE IV     REFINANCING PROJECTS**

- A. “Refinancing Projects” means C-PACE Projects for which the outstanding Direct Financing and the associated C-PACE Assessment is refinanced with a new Direct Financing. Refinancing of Eligible Improvements not financed with Direct Financing or Eligible Improvements that have been subsequently modified or altered shall be subject to the Retroactive Financing Project provisions in Article V.
- B. Eligible Owners shall apply to the Authority prior to a Refinancing Project for determination by the Authority that the Refinancing Project is eligible. An Eligible Owner proposing a Refinancing Project to refinance a C-PACE Project approved under the Program shall not be required to submit in the Project Application information pertaining to the technical evaluation and technical review of the C-PACE Project. If the proposed Refinancing Project would refinance a C-PACE Project approved under a Local C-PACE Program, the Eligible Owner shall submit evidence of the Local C-PACE Program approval of the C-PACE Project. For all Refinancing Projects, the Project Application shall require a certification from the Qualified Capital Provider that the C-PACE Project continues to meet all requirements under the Program Guidelines and these Supplemental Guidelines.
- C. Refinancing Projects shall be reviewed and approved subject to the Program Guidelines except that:
  - 1. The municipality in which the C-PACE Project is located must still be a Participating Municipality at the time of the Project Application and Authority approval of the Refinancing Project;
  - 2. The Weighted Average Useful Life calculated as set forth in Section 5.04 of the Program Guidelines shall be reduced by the number of years since the commencement of the Direct Financing of the existing C-PACE Project. Accordingly, the example in Section 5.04 of the Program Guidelines has the following additional step, assuming the illustrative Refinancing Project occurs two years after the commencement of the existing Direct Financing:

#### **Step 4**

20.74 years WAUL for the new C-PACE Project – 2 years = 18.74 WAUL

- 3. The Eligible Owner shall not have to demonstrate that the C-PACE Project satisfies the technical criteria in Article V of the Program Guidelines.
- D. If the Direct Financing for the Refinancing Project is provided by the existing Qualified Capital Provider, the Qualified Capital Provider shall amend the existing Assessment Agreement and Assessment Assignment Agreement, as necessary, and provide a Notice of Amended Assessment. If the refinancing is with a new Qualified Capital Provider, the Qualified Capital Provider shall replace or cause to replace the existing agreements and assessment with a new Assessment Agreement, Assessment Assignment Agreement, and Notice of Assessment. To the extent that the existing recorded documents are amended or the Direct Financing is paid

in full with a new Refinancing Project, the Qualified Capital Provider shall cancel or cause to cancel the existing recorded documents. All newly generated documents that are required to be recorded in the County Recording Office pursuant to the Program Guidelines shall be recorded accordingly. The Qualified Capital Provider shall provide to the Authority a copy of the fully executed and recorded documents, all new documents referenced in this section, including any documents recorded to cancel existing documents, or all amended documents referenced in this section within fifteen (15) days of receipt by the Qualified Capital Provider of the recorded documents.

## **ARTICLE V      RETROACTIVE FINANCING PROJECTS**

- A. “Retroactive Financing Projects” means a previously completed improvement or project for which the Eligible Owner is seeking Direct Financing, including, but not limited to, for the purpose of refinancing prior financing that was not Direct Financing.
- B. Except as stated in E below, Retroactive Financing Projects that consisted of a New Construction Project shall comply with the requirements for a New Construction Project.
- C. Except as stated in E below, Retroactive Financing Projects that consisted of a Gut Rehab Project shall comply with the requirements for a Gut Rehab Project.
- D. Except as stated in E below, Retroactive Financing Projects that consisted of a Retrofit Project shall comply with all the requirements for a Retrofit Project.
- E. Retroactive Financing Projects are subject to the additional requirements:
  - 1. The proposed Retroactive Financing Project must be located within a Participating Municipality at the time of the Project Application and Authority approval for the proposed Retroactive Financing Project.
  - 2. Construction of the improvements included in the proposed Retroactive Financing Project must not be completed or must have been completed within the three-year (36 month) period immediately preceding the date of submission of the Project Application for the proposed Retroactive Financing Project.
  - 3. The Weighted Average Useful Life shall be calculated as set forth in Article 4.C2 above.
  - 4. The Authority’s prevailing wage requirements at N.J.S.A. 34:1B-5.1 and N.J.A.C. 19:30-4 shall apply to work performed at the proposed Retroactive Financing Project that comprise the C-PACE Project for which the Eligible Owner is seeking Direct Financing. This requirement shall not apply to a proposed Retroactive Financing Project that was substantially completed on or before October 9, 2024, so long as a Project Application for such C-PACE Project is submitted no later than December 9, 2025, the project has a minimum construction value of \$25 million, and the project applicant certifies that at least 75% of all project labor costs (that is, payment to contractor/subcontractor employees) comprised wages and benefits were paid at or above the applicable prevailing wage and benefit rate for the respective trades of those employees during the time of construction for the project. Substantial completion of the project shall be evidenced by a Temporary Certificate of Occupancy for the project or form of equivalent documentation acceptable to the Authority dated on or before October 9, 2024.

## **ARTICLE VI      Glossary**

“Bonus Technologies” shall have the meaning ascribed it in Section 2.04 of these Supplemental Guidelines.

“C-PACE Project,” for New Construction Projects that include any Energy Efficiency Improvement, shall have the meaning ascribed it in Section 2.01A of these Supplemental Guidelines.

“Direct Costs,” for New Construction Projects that include any Energy Efficiency Improvement, shall have the meaning ascribed it in Section 2.02A of these Supplemental Guidelines.

“Gut Rehabilitation Projects” or “Gut Rehab Project” shall have the meaning ascribed it in Paragraph A of Article III of these Supplemental Guidelines.

“Indirect Costs,” for New Construction Projects that include any Energy Efficiency Improvement, shall have the meaning ascribed it in Section 2.02A of these Supplemental Guidelines.

“Prior State Energy Subcodes” shall have the meaning ascribed it in Section 2.03 of these Supplemental Guidelines.

“Refinancing Projects” shall have the meaning ascribed it in Paragraph A in Article IV of these Supplemental Guidelines.

“Retroactive Financing Projects” shall have the meaning ascribed it in Paragraph A in Article V of these Supplemental Guidelines.

“State Energy Subcode” shall have the meaning ascribed it in Section 2.03A of these Supplemental Guidelines.

“Supplemental Guidelines” shall have the meaning ascribed it in Article I of these Supplemental Guidelines.